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C O N F I D E N T I A L SECTION 01 OF 02 QUITO 001578

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SUBJECT: ECUADOR: ASIAN DIPLOMATS EAGER FOR DIALOGUE

REF: STATE 70035

Classified By: PolChief Erik Hall for reasons 1.4 (b&d)

¶1. (C) Summary: Our recent outreach to diplomatic counterparts from China, Japan and Korea found them highly aware of USG coordination efforts (described RefTel), and eager to engage in dialogue about the political and economic situation in Ecuador and the region. In deference to USG concerns about the recent confiscation of Occidental Petroleum's assets, Asian diplomats have urged caution to national companies interested in acquiring those assets. They also expressed concern about Venezuelan inroads in Ecuador, and regional trends toward populism. We will continue to engage in dialogue to promote shared interests in Ecuador and the region. End Summary.

Chinese Laying Low on Oxy; Jealous on Taiwan

¶2. (C) Political Counselor Li Dong told PolChief on June 15 that Beijing had sent a detailed accounting of A/S Shannon's meeting with his Chinese counterpart, and the GOC is very open to dialogue with us on Ecuador and the region. He was already in contact with various Embassy officers, and found it useful to exchange views, especially on the stability of Ecuador's notoriously unstable presidency. He noted that he had differed with us in 2003, when we were predicting ex-president Lucio Gutierrez' downfall (which came in 2005). More generally, Dong said, Chinese policy here in Ecuador is one of absolute respect for non-intervention, "somewhat different from the U.S. approach." Chinese interests are focused principally on energy sector cooperation and Taiwan. FM Carrion's recent visit to Beijing had been positive, and included an agreement for China to provide credits.

¶3. (C) On the Oxy case, Dong said the Chinese, who bought Encana's oil fields (sold by Oxy, fueling the controversial GOE decision to cancel Oxy's contract and confiscate its assets), are "keeping a low profile." (Note: the Chinese bought shortly before the GOE enacted its controversial hydrocarbons law, effectively reducing the value of what China purchased. Other sources have told us the Chinese feel burned by the experience and will refrain from further investments for the near term. End Note.) On Taiwan, despite instability, Dong claimed good relations with the GOE. The exception was under FM Heinz Moeller (under president Gustavo Noboa, 2000-02), who he called "two-faced"--telling them what they wanted to hear, but entertaining separate deals with Taiwan. Ex-president Lucio Gutierrez visited Taiwan as a candidate, and took money, but as president respected the one-China policy. Gutierrez' brother Gilmar told Dong that Taiwan was offering \$2 billion

for full diplomatic recognition. Dong said he did not make a counter-offer, warning Gutierrez to scrutinize the Taiwanese offer carefully. In the end, no such deal was made. Much of Chinese activity in Quito is focused on monitoring the Taiwanese interest section. On the Gutierrez-era visa scandal and the furor over Chinese aid including arms, Dong claimed no proof was ever developed.

¶4. (C) Turning to regional issues, Dong denied any Chinese military assistance to Cuba, and refuted US NGO critics who claimed dynamite donated for road building was for military purposes. In response to USG concern over the sale of radars to Venezuela, he said China's aid was purely logistical, and as long as the U.S. and Venezuela maintain commercial relations, there were no grounds to criticize China. China views the Garcia and Uribe victories in Peru and Colombia as stabilizing factors in the region. The recent meeting of the Community of Andean Nations in Quito seemed to smooth things over among the Andeans (absent Venezuela).

Japanese Stay Out of Politics, While Blessing Roldos

¶5. (C) Japanese PolChief Ryu Murasawa was also well aware of the Shannon initiative, and had received recent reports from other capitals in the region reporting on recent outreach efforts by our colleagues. Murasawa assured us that the Japanese Embassy here is very disposed to engage in dialogue with us on Ecuador and regional issues. He noted that dialogue is already ongoing between our nation's ambassadors in Quito.

¶6. (C) Murasawa commiserated over the Oxy case and noted that Japanese firms also find the business and political

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environment in Ecuador difficult. For example, a Japanese oil firm (Teiko) is frustrated by GOE delays permitting access to Teiko's exploration fields--the Energy Ministry has not responded to the Japanese request for over a year. Teiko is also interested in bidding for Oxy's former property (referred to as Block 15), but is not inclined to take another risk while its other operations are suspended. The largest Japanese private investment in Ecuador, a forestry operation in tropical Esmeraldas, gave up and left Ecuador recently, after the Environment Ministry had delayed acting on a permit request.

¶7. (C) Murasawa expressed concern about regional trends toward populism, and satisfaction with the Garcia victory in Peru, where Japan has strong interests. Asked whether Japan might consider supporting civil society efforts to promote a shared political agenda among presidential candidates, Murasawa said Japan shies away from political assistance or interference of any sort in its foreign assistance to Ecuador. Nevertheless, presidential front-runner Leon Roldos recently visited Japan at GOJ invitation. Murasawa said the visit was deliberately "low-key," and did not share details about who Roldos met with in Tokyo.

Korea

¶8. (C) June Seo Park, Korean Pol/Econ officer expressed appreciation to PolChief for A/S Shannon's recent consultations in Asia. Korea is a staunch ally of the U.S., he professed, and its highest foreign policy priority is to achieve an FTA with us. One of only three Korean diplomats here, Park said there were approximately 800 Koreans resident in Ecuador, mostly engaged in sales of Korean manufactures.

¶9. (C) Park said Korean investors had come to him recently to express interest in winning Oxy's former contract to exploit the Block 15 oilfield. Park warned the investors, (from ILDO Energy Resources) to stay away from the former Oxy fields, since the issue between the US and Ecuador remains

open. Park later informed the GOE that ILDO did not have the support of the Korean government. (The Korean Ambassador later reiterated his government's position against the investment to the Ambassador.) Bigger, more established Korean firms (Park mentioned Samsung) have no interest in entering the Ecuadorian market for lack of confidence in the government's commitment to rule of law.

¶10. (C) Park served in Korea's consulate in San Francisco, California, and seemed eager to share his views, official and personal. Park said Korea considered China to be a threat to Korea in all dimensions (economic, financial, military, etc.). The GOK also finds the Venezuela/Cuba/Bolivia relationship troubling. Dark horse presidential candidate Rafael Correa mystified Parks--"how could an academic economist be against open markets and the U.S.?" Parks also implied some personal dissatisfaction with the current Korean president, whom he characterized as "too Leftist--less friendly to the U.S., too friendly to N. Korea, less supportive of open markets."

Comment

¶11. (C) Our Asian counterparts were uniformly aware of and eager to build on A/S Shannon's outreach efforts to their capitals. Each signaled respect for USG interests in Ecuador and more broadly in the region, and seemed reluctant to let energy sector competition compromise relations with us. Though reluctant to play a direct political role, the Asians disdained the growth of populist forces in the region, and share our interest in enhanced democratic stability based on rule of law. We will maintain the dialogue to share perspectives and explore shared interests.

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